

## Closed Caption Log, Council Meeting, 07/22/09

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Recorded On: 7/22/2009 9:00:00 AM

Good more than, I'm austin mayor lee leffingwell, I'm going to call this special meeting to order. IT'S 9:05 A.M., JULY 22nd, Meeting in the boards and commissions room of austin city hall, 301 west second street, austin, texas. The quorum is present. We have one item on the agenda, and that is the presentation of the proposed budget for fy 2009-ten and I'm going to be brief and turn it over to the city manager, keeping in mind this is only the initial meeting, we will have probably three more, maybe condense it into two more presentations to the council in more detail. We're going to go through this presentation from staff. I would like to get all the way through the general fund presentation part, which concludes with slide number 38. We'll ask for questions from the council, you will have an opportunity to ask questions then. Then we will go on and hear the rest of the presentation which will be on the enterprise funds. We'll have an opportunity to make statements and ask questions at that time. I will go ahead and turn it over to the city manager to go ahead and introduce the presentation.

[00:07:57]

Thank you mayor leffingwell, members of the council, good morning, everyone. I almost said good evening. It certainly is my pleasure, along with the staff, to have this opportunity to offer to council and the community our proposed budget for 2010. Before we get into the substance of the budget, I want to acknowledge the folks that -- that have worked extremely hard to get us to this point, as they do every year. But certainly worked really hard this year, especially, particularly given the amount of transparency and public engagement that we tried to incorporate into the budget development process this year. You see the individuals that are sitting in front of us, dan [indiscernible] leslie browder and greg canale, leslie is the chief financial officer. Ed, of course, is one of the newest additions to our organization and is our budget officer and I want to highlight ed in particular because he is so new, and came into our organization really just around the time when, you know, we were gearing up and launching the budget development process for -- for 2010 and ed has a great staff, but I want to sing his praises in particular because he had a -- he had a significant curve, if you will to -- you know, to overcome being new and coming in at the time that he did and particularly under these extraordinary economic circumstances that has impacted our city as it has other cities throughout the state and throughout the country. Ed as advertised brought a great deal of competence and frankly calm to the process in what is a very

complicated plan. I want to acknowledge him and his staff as well. I also want to acknowledge the other employees in the organization. My assistant city managers, chief of staff, all of the department heads and their staff as well, because all of those individuals have worked really hard to get us to this point in providing you with what I think is a very responsible and sound fiscally sound budget today. I also want to thank you, mayor and council, for your support. We've had conversations with you along the way. As we have worked to develop this proposal today for 2010. I also want to thank austinites. As you know, we had a number of opportunities for public engagement and principal among them, of course, was at the various budget forums that we held and you know by now that we held five of them and they were all well attended. In fact we believe we had in combination well over 750 people that participated in those forums. Of course one of the special highlights of the budget forums that we had included a forum for teens and surprisingly -- well, not surprisingly, their input was both substantive and insightful and we learned a great deal from having the opportunity to spend time with our young people and get their perspective and their opinion about, you know, what's important as we make, you know, these decisions regarding next year's financial plan. It was important to do that, quite frankly, because even though they don't pay taxes and the like, the decisions that we have made and that subsequently ultimately you are going to make impact them as well. As a way of -- of kind of framing our remarks, our presentation to you today, I'll say a little bit about what you already know and you all know that the consequences associated with the most significant recession since the great depression has wreaked havoc on both our national and global economies. Cities across our great country have struggled to -- to provide the programs and services that citizens, as you all know, expect and demand from their public officials. And, yet, all of us as public servants remain charged with the responsibility to provide the services, the full range of services that we provide. And as you well know, that challenge is always daunting and even more so during times like these when our resources are dramatically restrained and in contrast with the sensitivity of increasing taxes or service fees. I think it's important, however, that we all understand that our response to extraordinary change requires our best creativity, perseverance, discipline and this is an important word, sacrifice. And I want you to know today that -- that those things that I just mentioned are the principles that we applied in developing the proposed budget for 2010. 7 billion budget, 75 I should say that we propose today was also developed based on, as i have already mentioned, unprecedented transparency and public engagement. All things considered, we believe that it reflects our best effort to account for the many issues and priorities that have been identified by you, by our city employees and of course most importantly, those that we serve the taxpayers over what we have heard over the past 18 months or so. Methods and strategy that's we applied not only provide for a balanced budget but also entail a variety of structural applications intended to positively affect the city's fiscal, sustainability, other the long term and in saying that, I would take you back to april 22nd when we launch the budget development process and, you know, we told you that -- that on the one hand we could look at dealing with the financial challenge, the gap that we had, in terms of applying the -- the typical or the traditional tools that municipalities, you know, apply to provide a balanced budget. But more often than not, still confront it in the subsequent year with that challenge or even a larger one. We also indicated that -- that there certainly were opportunities to provide structural applications, as I've already alluded to. Even to the extent that we could probably even solve the problem of virtual -- we certainly understood that would be difficult to do that given the dramatic impact that it would in fact have on what we provide and how we go about conducting business as a municipal organization. So the

solution that we bring to you today falls somewhere in between those two things. Some of the tools that we have used in the past i think you know what some of them are. You will also hear in the course of this presentation that by and large we have applied a series o structural applications that we think going forward will help to make the challenge smaller in years ahead and particularly during those times that we may experience significant economic decline. That's the long-term fiscal sustainability aspect that i alluded to earlier. 28 cents is recommended for the 2010 budget based upon the rollback calculation. That rate coupled with savings from various reduction proposals, but especially the anticipated and significant sacrifice by and now confirmed , which will come before you sometime soon, as well as other general fund employees in terms of compensation will enable the city to avoid major service and program reductions. Given the tax rate, less than the rollback calculation or in the absence of anticipated wage and as and other general fund employees, i would tell you that additional reductions will be required which will further impact service delivery. Having said that, and/or despite of that, the significant challenges that we faced in developing the proposed 2010 budget, we still have been able to avoid severe reductions and I can tell you that the city of austin will continue to provide both innovative and high quality programs and services, those that have earned us over time premier status among cities throughout the country. Finally before I turn it over, I simply want to say to you that implicit in all challenges is the opportunity to overcome in ways that make us better than we were before. It is within that context that we find and hold on to optimism regarding the future of our great city. I would submit that austin's future is still very bright. So with that, mayor and council, I would like to -- to turn the balance of the presentation over to -- to our budget officer ed, who will be presenting a -- much of the substance here in conjunction with our chief financial officer leslie browder.

[00:18:23]

Before you get started, i would just like to reiterate a statement I made at the beginning for the late arrivals. That the -- to facilitate the presentation, if we could, hold our questions and comments until we get to the end of -- I believe it's page 18 on your handouts, slide 38, which will be the end of the presentation on the general operating fund and after that, we'll go into the enterprise part of the budget, we will have another opportunity to make comments and ask questions at the end of that. If you could possibly hold off. Thank you we will start the esentation by quickly viewing the agenda today. As a city manager mentioned, the level and the timing of the community of employee input that we sought this year as we prepared the budget -- was really much more in-depth than what we have done in the past. Ed will walk you through all of that stakeholder engagement before we get into the real details of the budget. The next is a brief all fund summary looking at the city as a whole. Then in august you will be able to see, we will cover the calendar at the end of the presentation, you will be able to see all of the individual pieces and departments of the city and the major funds and much more depth. Ed is going to spend a lot of time talking with you about how we close the general fund budget gap, then we will actually move into more information about the general fund itself, looking at our revenues, looking at our budget highlights by department, and then moving on to our internal services and our funds, primarily the housing department, looking at our enterprise funds and then we ll wrap up by covering next steps and the calendar that will lead us all the way up to adoption of the budget in sent. With that I will turn it over to ed.

Thank you, mayor, members of the council, ed [indiscernible], city's budget officer. When I joined the city five months ago, one thing that the city manager stressed to me very clearly was a strong desire to greatly enhance stakeholder input to open up the budget process. To increase the amount of public outreach and to increase the opportunities for the public to be involved and to provide input into the process. So I'm going to spend quite a bit of time talking about the efforts that we've made in that avenue. All of the outreach happened prior to the formulation of the budget recommendation which is different than what you will see in all too many cities. What you will see all too often is budget recommendations occurring and then public engagement occurring after the decisions have already been made, really more of an informative type of approach and just leading the community and boards and commission members et cetera knowing what decisions have been made. Our intent here was to get all of the input well in advance of making the budget recommendation and making all of that input available to all concerned parties. To date we've had 30 meetings with our various board and commission groups. We've held six employee focus groups. We've had five interactive community input forums that the city manager talked a little bit about. Those were spread across the city to provide as much opportunity to as many people as possible to participate. One of those was specifically dedicated to youth, teen town hall. We have estimated about 750 participants at those different venues, I know a lot of the councilmembers were at those -- at various venues. One of the things that I did at all of those venues was to ask people to raise their hands if this was the first time that they were participating in a public discourse on the city's budget. And well over half of the participants invariably raised their hand. So, you know, by my calculation, roughly 400 plus members of the public getting involved, coming down, having their voice heard in regard to the -- to the city's budget decision making process for the first time, which is exactly where we want to be. We also have an online version of this budget activity and we've had over 600 hits to date on the online version of it for people who couldn't attend the community forums. We also set up a budget comment hotline, the telephone number and an e-mail account where people could submit any comments or suggestions or questions they had about the process. You've heard a lot about the dollars and cents initiative which was an employee based initiative where we asked our employees to help us identify ways to cut costs, save money, work more efficiently. We received over 700 ideas from that -- 1700 ideas, we anticipate saving 2.1 million as a result. Citizens survey, new approach, had a new firm come into do it so that we would be able to benchmark ourselves with other jurisdictions, it's one thing to know how we are doing internally. We have done media briefings, a round table discussion on the budget with the American Statesman editorial board and all of this information we've been gathering we've been making available on the city's budget website that you can see on this screen there. Diving into a little bit more detail in some of these topics, the boards and commission meetings, we've had 30 meetings to date. All that I'm trying to do here is highlight some of the comments. We did take minutes at each of those meetings, those minutes have been available on the website along with any formal actions taken by the boards. Also all that is available at the city's website. But in general the comments we've heard from our board and commission members were to look for ways to minimize service impacts to the community. Of course that was something high on their to do list. One of the ideas there was to focus wherever possible on targeted strategy reductions as opposed to taking a blanket across the board approach to budget reductions. One of the examples that falls into this area, one of the recommendations in parks and recreation to the operation of some of our swimmi pools. We also wanted us to look at ways to eliminate

vacant positions in order to avoid layoffs. You will see a lot of vacant positions being proposed to be eliminated in this budget. Exploring alternative funding sources and service delivery models, including using more volunteers, looking for additional grant opportunities. You will see some of these grant options -- public and private partnerships. One of the things that got a lot of attention when we were out there talking to the community was a proposal, an option to potentially reduce funding for our private youth sports league. They received a lot of comments and, you know, that's one where we really started to look at it as a good example of a public/private partnership where the city can contribute some money along with private funding allows us to offer those league sport opportunities to the community to the youth of the community at a much lower cost. If the city were to do it itself. That ultimately was not one of the recommendations that you are going to be hearing about the proposed budget does maintain funding for those youth sport league, leagues, also enhancing use of technology was a common theme across the board and commission groups. One thing that I would highlight here, you are going to hear more about this, new director of communication and technology management currently developing a best management strategy, centering around e governance and needs of our departments in order to improve service delivery to the community. we had six of these. Randomly took time to participate. These are the types of options we asked our employees to look at, the types of options that would definitely have an impact on them and their pocketbooks. But also great potential for reducing the city's budget gap. You can see here the numbers are showing are -- are -- ordering a ranking so to speak of these different options with the options receiving -- having smaller numbers being the options that would be more preferred by our employees and the options with larger numbers being least preferred. Essentially ordered from the most preferably acceptable options in the viewpoint of our employee focus groups to the least acceptable and the ones that I have highlighted there are showing the options that are part of the recommended budget. The hiring freeze, as you know, has been in place since the beginning of this calendar year. I have mentioned already that -- that there are a lot of vacant positions that we propose to eliminate as part of this proposed budget. I'm suspending service incentive pay for the civilian workforce. Something I'm going to talk about more later. It is a recommendation, un furlough is also something that's going to be recommended in this budget as is the wage freeze, essentially going into the forecast, we had no wage increases anticipated for the employees without a contract. Since that time we have reached tentative agreement with the police and e.m.s. Union employees to not have a wage increase in fiscal year '10, that's been ratified and we anticipate hearing today whether it's been ratified by the a.p.d. Membership. Again those are the option that's we looked at. Those are the options that we would be recommending as part of the proposed budget. One thing that's up there that you can see that -- that actually was not part of our recommendation was the number of related to changing the cost structure of the medical benefits plan. That was an -- benefits plan. That was an area that we just felt that needed to be maintained with concern over employees, particularly some of the lower paid employees potentially foregoing medical coverage for themselves and/or their families and the cost of these programs were to become too great for them. So it would -- there would be no changes to the medical benefits plan in the proposed budget. Our community input forum, these are the town hall meetings that we have referred to them as well. I think community input forum is really a more accurate name for them. We held five of them. And essentially the exercise was to have our community help us rank 32 options for balancing the budget. These were options that were called out of this much larger menu of potential budget reductions and specifically tried to pull the items out of there that we felt

would be the most controversial nature or the most interest or potentially the largest service impact to the community. We tried to pull those options out of the menu and boil it down to a manageable number for an exercise like this. You can see on the slide here, 14 of the 32 options ranked as part of that exercise are part of the proposed budget. Including five options related to increasing fees, all of which were among the top 10 most accepted options by participants of the forum. All of the options that we are proposing to include in the budget were accepted between 55 and 91% of the participants. You can see a high degree of correlation between what the input received from these forums and the final budget recommendation. I am looking on the other end of the spectrum, 11 options with the lowest acceptance rate. 11 Options that the community did not like. None of those are part of the proposed budget recommendations. They had acceptance rates between 24 and 49% and none of those options again are part of the proposed budget. There was a complete correlation between our recommendations and the community input. We had a few items here in the top 10 that were not recommended after we looked into them in more detail. You can see them on the slides converting two fire engines to medical response units is not something that we are recommending although it was rated as a fairly acceptable option in view of our community forums. Eliminating funding for the academy, this was a diversity issue in our viewpoint and important goal to stick with trying to improve the diversity of the fire department so we didn't want to cut funding in that area. Also cutting funding for municipal court interpreter services. This wasn't a large dollar amount and given the highly bilingual nature of our -- bilingual nature of our community we didn't feel that would be a cut that we wanted to make. There were things relatively favorable in the eyes of the community forum groups that were not part of our recommendations. We also asked people at these venues to provide comments. We had comment cards and verbal comments and a telephone hotline and e-mail comment line. In all we received nearly 400 comments through these different and he was. All that we're trying to do here is boil it down to what really came out to be some of the most repetitive, most common comments we received. You can see what they were. A lot of comments received for -- regarding preserving youth employment and sports, avoiding reductions to animal services, particularly pet sterilization, maintaining library hours and avoiding cuts to the public safety services and support police cadet class, some of the most common and passionate comments that we received. None of those options that were detailed in many potential budget reductions are part of the proposed budget recommendation. Moving on to the dollars and cents campaign, I mentioned previously 1707 ideas submitted. Most frequent ideas were reductions to employee pay and benefits in lieu of employee layoffs. That was a very common idea. I already mentioned a wage freeze will be in place for fiscal year 2010 depending on ratification of the contract amendment with , but certainly for all other employees. I have already talked about the suspension of sip and a furlough program. You can see unpaid furlough being one of the most frequent ideas on the list. Some of the other ideas pertain to energy conservation and recycling. We currently are taking some actions in that area as a result of the comments we received. Currently in the process of installing light occupancy sensors, when you leave your office the lights will go off in various city offices that don't have them, adjusting the timer in other offices so lights go off quicker. We,ing on replacing 32 watt bulbs with 28 watt, installing remotely programmable thermostats in older buildings, all things that we can do, a little bit here and there cut the cost of utilities and save money for the city. Similar to that reducing our printing costs. You will see a lot more of what you are holding in your hands throughout the city. A lot more putting two slides per page, printing two sided as opposed to i think maybe what you saw last

year, one side per page, one side of the paper. These are actions that we're taking in the budget office and are happening throughout the city. They may seem small, but in 8 million with 12,000 people that's a lot of printing and a lot of potential to cut our costs in those areas. Also early retirement was a popular idea. Something we are not recommending for a number of reasons. First early retirement programs generally tend to be expensive in the short term, although they do generate savings in the long term. In the short term there's a cost to incentivizing people to leave earlier. Second also an issue with "brain drain". Third the system has been negatively impacted by the severe downturn in the economy. Quite frankly not a very good time to be placing additional stress on the retirement system as this would cost. If fiscal year '09 anticipating savings for the dollars and cents campaign. Still in the process of reviewing and implementing. We feel we the time that we are done, we will save 1 million annually. I mentioned the citizens survey. Again we went with the new survey company this year, a firm called etc institute based out of Kansas City. One of the reasons we wanted to go with this new firm it provided us the opportunity to not only look at our own performance over time, but to compare our performance to other similar sized jurisdictions. Really the purpose of us doing this survey on an annual basis is to gauge citizen satisfaction with services, part of us wanting to become the most liveable city in the nation. We need to know how we're doing, how the community perceives the services that they are receiving from us. We also wanted to be able to compare the quality of our service delivery against that of other jurisdictions. How well are we doing in terms of delivering services, what kind of satisfaction are we receiving, how much is it costing us to deliver those services relative to other jurisdictions. All key to becoming the best managed city in the country. Also this year we wanted to have yet another gauge for our community's budget priorities so we specifically asked questions relating to their budget priorities. You can see the direct quote, Austin is setting a standard for performance among U.S. cities. They compare us to 28 other jurisdictions with populations over 250,000 people. 41, 41 out of 45 service areas. Austin was above, in a lot of cases quite a bit above the national average for the service areas. Some of the highlights are here.

[00:37:06]

[Reading graphic] we are making progress in the area of people rate the city as a place to live, we were 14% higher in that statistic than other jurisdictions, overall quality of life 12% higher than the average. In fact I should point out that of -- of all 28 comparative jurisdictions, city of Austin had the highest rating of overall quality of life of any jurisdictions that we have been compared against in this survey. Looking into our overall value that our citizens feel they receive for the city taxes and fees, 10% higher than average. Which is understandable when you look at the high satisfaction with our services that I have just discussed, a little bit later on in the presentation, I have a slide that shows that we also compare very favorably in terms of median tax bill for major Texas city. Relatively low for other Texas jurisdictions, very high level of satisfaction with services, so it's not surprising that we rate it so high in regards to overall value that you receive for city taxes and fees. As I mentioned in the citizen survey this year, we did ask citizens to respond to the services that they felt were most important to continue funding at current levels given the city's budget situation. Very surprisingly really, but the services that the community felt was most important to maintain at current funding levels, all pertain to public safety. Fire, emergency response, emergency medical services, 911, dispatch services, police patrol and police investigation services were the top five areas that the community felt needed to be maintained at current funding

levels and no cuts to these operational areas are part of this -- of the proposed budget recommendation. We did ask citizens also to raise their willingness to avoid service reductions, you can see the results here, 22% that weren't sure. I would think that's largely because we do not provide specifics. We didn't say which fees, how much, it was a generic question. With more information I am sure that we would have gotten fewer people that weren't sure, but 57% were very or somewhat supportive, only 21% said flat out no they would not support that. Also I could say we have a full briefing on this survey scheduled for regular council meeting of August 6th. Moving on to take a look at the numbers in the all funds .. pie chart is showing you how the overall 75 billion budget for fiscal year 2010 is allocated to the different service areas. Austin energy as always getting the largest piece of that pie, 37%. Austin water utility of 8%. You can see the piece on the revenue bond debt service, that's 14%, that's largely debt that's -- that's issued and related to the operations of Austin Energy and Austin Water Utility. You add up the 3 pieces of the pie here in the yellow and orange spectrum of the color spectrum, you have 59%, 59% of the city's overall budget going to the operations of the energy and water utility. So it gives you a good idea of how large those operations truly are. Looking into the go debt service, this is debt related to past bond programs, including the 2006 bond. 22% Of our all funds budgetings to the general , parks, like breaker services, library services we will talk more about that later in the presentation. Finally rounding out the remainder of the all funds budget, transportation fund, convention center, solid waste services, aviation, all of these operations comprising about 2% of the overall budget. Looking at the city's overall personnel, you have heard me mention the 12,000 employees. That number is coming down slightly in fiscal year 20. We had an authorized workforce of 11,926 positions. On this -- on this slide what were trying to do is separate the positions that are being cut as a result of the portions of this menu of budget reduction options that are recommended to be implemented. You can see on the slide we are recommending cutting 105 vacant positions. The other column is trying to separate from that the various ins and outs, transfers that occur, the large budget that a lot of city departments, there's a lot of transfers of functions and reorganizations that occur and what the other column is really trying to show is -- is the net effect of all of those various transfers. One thing that I would like to highlight is that of the 23 other positions, that's a positive number, of the 23 other positions that show up as being added to the general fund, only six of those positions actually resulted in a general fund net impact. They are in the area of where we are proposing to add five new cadets, one new supervisor related to our paramedic development program that we do in conjunction with the Austin Community College. All of the other positions in the general fund were transfers or other positions that were added to the general fund with no net costs, either back charged to some other funding source or something of that nature. For example some of the things that will be discussed in detail during the departmental presentations in August is a consolidation of the city's one stop shop activities with neighborhood planning and zoning to create a new department called development and planning review. This required a number of personnel transfers transferring positions related to one stop shop activities from the drainage fund to the general fund, but those positions revenue for their activities, so their positions and revenues are now located in the general fund, so there's no net cost to doing this, but it does show up as additional positions in the general fund because that's what it is. It's additional positions in the general fund, so I just wanted to make it clear that of those 23 positions there's really only six that I would characterize as new positions coming at a cost to the general fund and there pertaining to the -- paramedic development program. One other thing that I wanted to mention, you can see really relative to the size of staffing, the significant

staffing cuts that are being proposed in the internal services area between the menu of options and this other category talking about cutting 66 positions from those functions, with the 66 positions we are proposing to cut from the internal service department staffing levels for these support operations, actually would remain below where they were in fiscal year 2002, which was just prior to the last economic downturn in 2002 we had 1228 positions allocated to providing the support services for the city. We are now down to 1192. So in essence we have not added any positions to those service areas and now going on eight years. All right. Taking a closer look at the general fund and first talking about how do we close this -- this general fund gap, that back at our forecast of april 22nd was at \$29.6 million. That's what the first column of numbers is showing you here is forecast we had revenues projected at 4 million vsus expenditures of \$645 million for a projected gap of \$29.6 million. Since the forecast, staff has continued to -- to ref revenue and expenditure estimates. On the revenue side this 1 million decline in revenues relative to our forecast number and this is despite the increase fees that council recently approved in june. I'm going to go into a little bit more detail about some of these revenue changes on the next slide. But with that decline in revenue, we actually needed 7 million of extendtue reductions in order to result in a balanced budget proposal for this fiscal year 2010. So let's take a look at our revenues. Back at forecast our revenues were again projected at \$615.4 million. I have talked about the fee increase that was approved by council back in june. That's anticipated to 7 million of new revenue. We also had a number of refinements in the down area that I want to talk about. First of all, as I indicated BACK TO YOU ON JUNE 11th, When we gave you a brief update on the budget process, development activity is not getting any better. In fact it's getting worse. And during the last three months, since we did our five year forecast, we've had three additional months of declining development activity, for now a total of 13 consecutive months of residential permanent activity, you might recall from the slide I put up in the past very significant declines, 30, 40, 50% declines in the amount of residential development activity that we are seeing relative to the same time period of the previous year. And really with no turn around anticipate understand the short term, we feel -- anticipated in the short term, we feel that the prudent thing to do is being more conservative for fiscal year 2010 that's why we would be proposing development revenues at 5 million less than we were at during the forecast. A similar story on property taxes. Essentially from the time of forecast to now, we've been able to get refined assessed valuation numbers from the appraisal district including new construction numbers. And we have also adjusted our collections rate slightly, all of which will be discussed more in the next session of the presentation, I will ask you to defer a little bit with me in terms of the property tax calculations, we'll talk more about that later. Net impact would be 5 million reduction in the property tax revenues. The right-of-way revenues is one of those restructurings and reorganizations that i have talked about right-of-way. Used to be in the general fund department, watershed protection and development review. That function now transferred to the austin transportation department right-of-way related activities. And it goes with expenditures. So it's a revenue generating type of operation, that entire operation is being moved out of the general fund to a non-general fund enterprise function and then the next slide you will see an exact dollar for dollar offset on the expenditure side. We literally picked up that operation revenue and expenditures, moving it out of the general fund, then we also had some miscellaneous adjustments totaling \$1.1 million. Bottom line is that we have been proposing revenues for -- for the fiscal year 2010 budget of \$613.3 million. Moving on to the expenditure side, we have broken this into two slides. There's a number of adjustments that I want to talk about, they wouldn't

have fit on one slide. We are also trying to break it out into two areas. One a lot of refinements that occur from the time that you do a forecast which is a 30,000-foot overview type of level, by the time you get down into the weeds and actually develop a proposed budget, there's a lot of refinements that occur. That's what this slide is showing you. Then the next slide I'm actually going to be highlighting for you a summary of the cuts that we would be recommending as a result of our budget reduction menu process. First item on this slide is actually a positive number. It actually increased our budget. It was an additional proposed contribution to the employee retirement system. The city's employee retirement system experienced significant investment losses. 26% Down in 2008 and given these losses the proposed budget includes recommends an additional general fund contribution to the system 2 million to help improve the financial health of the system. City-wide this additional funding would be 5 million and what this will accomplish is to accelerate the supplemental funding of the employee retirement system from 3% to 4%. The long-term plan had been to go to 4% supplemental funding in the future anyhow. This proposal would be to move us to 4% in this fiscal year, a year earlier than otherwise really in response to the investment losses that the system has experienced. The city and ers are also evaluating other lock term solutions for the retirement system, long term solutions, including a reduced benefit structure that would only apply to future employees. The lower than anticipated insurance premiums as part of our forecast we assumed an 8% increase insurance premiums based upon what we had seen in the industry, what we had seen occurring in the industry in recent years. Premiums are now projected to remain flat, coupled with savings that we have been able to realize through a decision made last year to self fund the city's hmo plan. As a result insurance costs and the proposed budget are proposed to remain flat, both for the employees and for the city at a savings of 7 million relative to the forecasted amount. Lower anticipated fuel costs, I'm sure that you have all seen this at the pump. Fuel costs are a fair bit less than they were last summer. The forecast budget still included the higher fuel costs in it and so now we have looked at those numbers in a great amount of detail and feel comfortable lowering our fuel budget by \$2.5 million. I talked about the right-of-way, there is the offsetting expenditure reduction as a result of that reorganization and then miscellaneous other adjustments bringing us down to -- to a -- to a budget after these adjustments of 4 million clearly still well out of balance with the 4 million that's on the next slide. I talk about the other actions that we took to get us to a final balanced budget proposal. I'm not going to spend a lot of time on the first item, even though I'm sure there's a keen amount of interest on it, we will talk about it in more detail later in the presentation. But reductions coming out of this menu that pertain to departmental general fund departmental budget cuts total \$8.4 million. We have talked some about suspending service incentive pay for civil I can't be employee that would save 7.1 million. A graduated furlough program whereby higher paid employees would take more [00:52:20] [indiscernible] the plan between one and three days off scaled depending upon salary that would save the city \$700,000. Also there's a number of transfers that the general fund makes to various other funds. The transportation department this reduce 5 million reflects a combination of cost cutting measures undertaken by the transportation fund along with an increased rate, an increased transportation user fee allows the city to reduce that transfer. The housing departments of 6 million in the general fund transfer to housing is again a combination of cost cutting measures, along with the bulk of it increasing the transfer to housing from the sustainability fund by \$1.9 million. So really where we use the fund provided transfer from the general fund to housing the proposal here would be to replace that thank if her transfer largely with a transfer from the sustainability fund to the housing

department. In the cpm, capital projects management, the reduction is related to a combination of cost cutting measures and increased charges to capital projects, largely as a result of the accelerate austin program. 1 million of budget reductions coming directly out of our menu of options resulting in a balanced budget of \$613.3 million. One thing that I would highlight to you that the point is that at the conclusion of the presentation today, we're going to be publishing on budget website and providing hard copies to all councilmembers is an addendum to this menu of reductions that will clearly lay out, out of the 245 items included in this menu, which of the items were actually recommended as parts of the proposed budget and which are not recommended for implementation. Wanted to talk a little bit more about how we got to balanced budget, some of the key factors of that. One of the key factors is cutting positions. This is one of the things that we think that we are doing is more of a structural nature than maybe what we have done in the past. Instead of freezing or holding them vacant, we would actually be probably to cut 105 total positions recommended to be cut as part of the budget balance, 41 of those in general fund departments, 45 positions in internal service support functions and 19 positions in the other funds, in this case the transportation fund, housing department and capital project management fund. One thing that's important to point out, though, there's no filled positions that we're talking about cutting. They are all vacant positions, largely the result of the proactive efforts that have been undertaken to have a hiring freeze in place and create a lot of vacancies so we have the flexibility to cut positions without having to result to layoffs. No front line public safety positions that are proposed to be cut. No sworn police, fire -- no sworn police or e.m.s. Positions, although there are some support -- sworn support positions in the fire department cut as a result of one ever our recommendations. The majority of the cuts are being made to support and management positions. I need to spend some time talking about employee give back. Which is really a crucial way to be able to balance this budget without having much more severe service impacts. This is outlining for you what some of those employee give backs were. In fiscal year 2009, pay for performance was capped at 2.5%. There was also a market study planned in 2009 for our civilian employees, that was deferred. In fiscal year 2010 pay for performance was completely eliminated. Held to 0%. And the market study was again postponed. Market study that has been proposed from fiscal year '09 to '10 now postponed indefinitely into the future. Suspending service incentive pay a graduated furlough program of one and three days, defer of police and e.m.s. pay raise. 5 million savings, city wide \$26.8 million of savings. Without those contributions from our employees we would essentially be looking for 5 million more of service cuts out of this menu and a lot of those would be very, very difficult decisions as highlighted on in next slide. These are some of the bigger ticket items that are left and are reflective of some of the difficult decisions left in this menu of budget reduction options. These are some of the reductions we are able to avoid as a result of employee concessions, the items actually add up to \$10 million as opposed to the 5 million that our employees were able to save the city. Postponing the police cadet class.

[00:57:32]

[Reading [reading graphic] \$10 million worth of things all of which are still in menu of options, will stay, not in the proposed budget, but again trying to point out some of the reductions we have been able to avoid as a result of the contributions of our employees. Taking a little closer look at the general fund revenues, you have all seen this slide many times before, although it's starting to look different. That blue slice of the pie continues to be property taxes in the proposed budget would be at 37% of

overall revenues, sale taxes at 22%, utility transfers comprise 21% of overall general fund revenues. Other revenues would be at 20%. Overall you can see that the general fund revenues are significantly less reliant on sales tax than they have been in the past years and fiscal year 2009 26% of the -- 2009, 26% of the city's budget was comprised of sales tax revenues, you can see that now down to 22%, partly out of the city's control driven by the significant downturn in the economy and reduction in retail sales, but also partly by design with a further 5% decline in sales tax being assumed. Understanding the proposed budget, we are trying to be conservative in those estimates. Making for a more structurally sound budget that is less susceptible to future fluctuations in the economy. We spent some time talking about property tax. The proposal budget reflects 28 cents per \$100 of property value. This reflects an increase of a little over 3 cents and would result in a \$6 per month increase in the tax bill for the median priced home. The proposed tax rate in conjunction with the significant employee give backs and elimination of more than 100 vacant positions mentioned earlier will allow the city to maintain core services despite the significant drop in sales tax and development related revenues that we have experienced during the past 12 months. The proposed tax rate assumes an overall increase 8%, which was driven largely by 9 billion of new property value. It should be noted that the value of the existing properties, not new construction, but the actual existing properties that had been assessed in previous years actually declined 1.9%. I mentioned briefly before that the proposed rate also assumes a collection rate of 5%, which is slightly more conservative than the 99% that was assumed at forecast and we feel is reflective of the continued downturn in the economy. Property appraisals estimates have been provided by the Travis and Willi districts and they will not be certified until later in the month, at which time the tax rate will be recalculated and will bring that information back to council. Taking a look at how the city of Austin compares in terms of median tax bill relative to the other five major Texas cities, you can see that we compare very favorably. With the lowest tax bill of any of those five jurisdictions. This is reflecting just the city's portion of the property tax bill. It doesn't show the school district's portion or the county's portion. It's just the city's portion and we compare very favorably as mentioned previously. The city has the lowest median property tax bill of any major Texas city and it's really a fact that becomes even more meaningful when you view it in the light of the high level of satisfaction with city services that was experienced by our citizens through the citizen survey. Comparing the tax rate over the last five years, you can see we've had a pretty steady decline from fiscal year 2005 through fiscal year 2009 and you can see where the increase proposed for fiscal year 2010 places us over that time frame. Sales tax, the proposed budget includes what we feel is a prudent and conservative estimate of sales tax revenue for the coming fiscal year, negative 5% further reduction over the reduction we are already experiencing. Some of the key economic factors behind this projection are listed here in this slide. You know, we are still in the midst of a national recession. This has not passed yet. We are experiencing rising unemployment rates. The number for Austin for June just came out. 1%, that's high, significantly higher than the highest last time we had an economic downturn. 2% at forecast, up 3% of April of 2008. A very, very rapid increase in the area's unemployment rate. There is a lot of fear of job losses out there. In addition to actual job loss resulting in increased unemployment rate, there's a lot of fear of additional job losses which is impacting people's propensity to spend. We have seen a dramatic decline in consumer wealth through the downturn in the stock market and we are ill in the midst of a very stagnant housing market. All of these things resulting in lower retail sales, lower sales tax revenues to the city. You can see here to date in 8% which is right on line with our estimate of

10% down for the fiscal year and as I mentioned previously, assuming a further 5% fall in fiscal year 2010. Looking at other revenues, transfers from utilities, \$100 million from Austin Energy based upon continuing the 9.1 transfer rate. \$29 Million from Austin 2% transfer rate. Combined the utility transfers represent 21% of total general fund revenues. On the development side, as I mentioned earlier, development has continued to slide. We're seeing fewer and fewer residential permits. And fiscal year 2008 our actual revenues from development related activities were 2 million in fiscal year '09 we are projecting a 21% decline to 14.3 million. You can see in fiscal year 2010, projecting another one million dollar or 7% slide to \$13.3 million. There's a few adjustments to fees and fines that I would like to highlight. One of the proposals and one of the recommendations in the budget is to implement a small \$5 fee for the trail of lights program. A \$5 increase to -- to early parking fines. Some minor adjustments, this isn't a major overhaul, but minor adjustments to the development fees that would generate an estimated \$200,000 of additional revenue and then the e.m.s. Fee increase that council already approved last month. Tkwupbd expenditure highlights general fund expenditure highlights. Budget \$613.3 million. You can see how it's allocated to different services areas. There is different with public safety, police, fire, close to 66% of the overall allocation. This is slightly up from where it was last year. Last year it was 65%. Up to 66% this year. So again that's very typical. That's what you will see in jurisdictions throughout the country that I viewed, usually in the 60% range, around two-thirds of the general fund money going to support police, fire, , public safety services, 10% of our budgetings to recreation and culture. Parks and recreation, library services. 3% for health and human services. Just have a few slides to provide some highlights of the general fund departments and we have done them following those same service categories as we presented the budget and public safety. Again, almost two-thirds of overall general fund budget. It maintains funding for 1621 sworn police positions. 2 million in police overtime funding to assist with directed crime fighting that was cut as part of the mid year savings plan. [Reading graphic] some of the notable reductions, elimination of two vacant non-sworn police positions. The redeployment of five sworn positions from support functions in the fire department. The fire combat operations. And requiring reimbursement for services provided at the annual south-by-southwest festival. Moving to the recreation and culture. Service category. Some of the budget highlights from recreation and the library maintains hours of operations at all libraries, recreation centers and cultural centers. Budget continues funding for all recreational programs including subsidies for our private youth sports league at their current levels. Sports leagues. Budget restores funding for the new park ranger program temporarily put on hold. The implementation put on hold in fiscal year 2009 as part of the mid year savings plan. That funding has been put back into the budget and that program will be getting implemented. Maintains the annual book budget. This is a very high priority for our library board, but maintains the annual book budget at \$1.9 million. The capital side the budget 2 million for various pool and facility improvements. You will be hearing a lot more about this as part of the departmental presentation in August. Some of the reductions that we feel are noteworthy to point out. There was a large reduction 3 million made available through the funding of o and m costs for the Anderson Mill parks and recreation facility through a local assessment district. This is something that was a valid initiative that passed recently and so those costs associated with those facilities are now going to be funded through that assessment district, allowing the city to reduce its general fund contribution by \$1.3 million. Closing 8 non-compliant fill and draw pools. I should mention here. You are going to be hearing more about this during the departmental presentations. They are working on

developing a plan to replace these pools, all eight of these, with splash pads. These type of features that shoot water up out of the ground and kids run around and get wet and have fun in them. Another reduction that I would like to highlight is cutting seven vacant library positions and two and a quarter parks positions. I should mention that parks positions are in addition to 12 positions that were not funded in the fiscal year '09 budget. The positions were carried forward but not funded in the fiscal year '09 budget 2010 forecast. We are recommending to eliminate the positions. They don't really result in a savings but would reduce our position cut and reduce our position count. Moving on to human services, some of the highlights, the budget maintains existing hours of operation and service levels at all neighborhood centers, outreach programs and animal shelter. Continues general fund support of our pet sterilization programs. Maintains funding for the summer youth employment program. 3 million of funding for workforce development programs out of the sustainability fund to the economic growth and redevelopment services offices. So one thing that I would like to point out this is really tied to the change in how we are transferring money to the housing department. It's kind of a two step process here. First we looked at taking some of the workforce development programs that health and human services provides and funding those through economic growth office and so we did that. 3 million of those programs and moved them over to economic growth. That freed up some funding in the sustainability fund to allow us to transfer that to the housing department and there be reduce the general fund department, the general fund transfer to housing without impacting that service area. Looking at the reductions, budget includes the 5 vacant positions, continued operation of only one day labor site. This is something that was implemented mid year '09 as part of our savings plan, would continue on to 2010. Increased offset of program costs with various grant funds and taking \$155,000 of unallocated funding for social service contracts. Last general fund department to highlight planning and development review, this is a new department that -- that combines the one stop shop activities with naked -- with neighborhood planning and zoning. All of the development processes from initial planning to plan review permitting and final inspection under one umbrella. Something that we feel is going to increase efficiencies and provide for a better service delivery to our citizens. The budget included the elimination of 14 vacant positions and the transfer two and a half planner positions to the austin transportation deptment.

Next one. Typically before we close on the general fund we always cover our reserves with you. We actually have three reserves as you will recall. The first here on the slide is a one percent contingency reserve, 1% of our departmental expenditures. We have an emergency reserve as well, fixed at \$40 million and together these two reserves typically we do not tap from year to year. They are set aside for really very extreme emergencies of -- for example, physical catastrophes, those type of things, a third reserve the budget stabilization reserve. We are projecting an ending balance for 2010 of about 21.4 million. We are allowed under our financial policies to use up to a third of this -- this reserve and we typically use that for one time type of expenditures or to replace our capital. You can see down at the bottom of the slide we are planning to do some capital replacement and critical needs replacements. Of about \$7 million. And that is primarily related to replacing police sedans, replacing fire trucks, ambulances, and some -- some miscellaneous pa rd maintenance equipment. So with that, that concludes the general fund and I believe the mayor wanted to pause there for questions and -- and --

Mayor Leffingwell: I will start off with the first question if you don't mind. I had a question about the

transfer of the drainage fee. Could you elaborate a little on that? It's been in watershed protection, development review department, and you said something about transferring that to the general fund? Could you -- could you explain that?

It's not the drainage fee. It's a reorganization that really revolves around consolidating the one stop shop activities under one umbrella, planning development and review. One stop shop activities had been split between watershed protection and development review, a general fund department and positions that are budgeted in the drainage fund. Which you know all of those activities are under the umbrella of watershed protection and development review. So it's not the drainage activities and the drainage fees, so to speak, it's the activities related to the one stop shop. It would be no under the umbrella -- now under the umbrella of planning and development review.

So the administration of the drainage fee would still be under watershed protection? Is that correct.

Yes.

Dedicated for that purpose?

Yes.

Okay.

That's good. I just wanted to highlight sales tax revenue forecasts down 10% for this year. Your month, year over year. And down 5% for next year. That is -- that is the significant improvement actually. Only down 5%. It's not where we would like to be, but it's at -- it's an up ward trend. I'm just going to ask one more and give other people an opportunity, we may have more later. You mentioned the trail of lights charging a five year -- \$5 admission fee, it's my understanding this has gone out to form a public-private partnership for the trail of lights. So that would -- that would -- trying to figure out what the tradeoff and -- in costs was. I understand the cost of administration was about a million to the parks department. And that entire -- it's my understanding that entire million dollars would be restored to the parks department if that trail of lights is outsourced with the r.f.p., is that correct? I'm trying to get a -- get an understanding of the net net on this?

Mayor Leffingwell: We have the expert here.

Saw the blank look.

The request for proposals has been sent and we are anticipating the information to return back to the -- to the -- to the purchasing office in the -- in the end of august. It should be ready to go to council, hopefully, before -- before the budget is approved.

Okay. So potentially we could see an increased savings in the parks budget over and above the \$5

projection that's in -- \$5 admission charge that's in there right now.

That's correct.

Mayor Leffingwell: Okay. Anyone else? Mayor pro tem?

Thanks, mayor, sarah real quick before you leave. I have read through -- there was a memo that was issued when the r.f.p. came out. I think that it said that -- that submittals must be back BY AUGUST 11th. That it would come to COUNCIL BY SENT 24th.

We're working on that to try to get it -- so we make sure that it's included in the budget process.

Thank you.

Martinez: Just general comments. Now the work continues as a council. Now the one that I guess statement that I will make about -- about -- that I'm cautious about is -- is -- the suggested furloughs for no public safety city employees. I realize that we have to find budget savings and everybody is going to have to do their part. But the city employees already are -- are foregoing pay increases, not in public safety, city employees. The market study has been indefinitely suspended. And we're proposing eliminating service enhancement pay. So -- so while I certainly believe everybody needs to do their fair share, I'm concerned that -- that maybe the burden is a little bit heavy on our civilian employees. And moving forward I will -- I will want to contemplate how we can try to -- to strike a better balance with that. But I really do appreciate all your work. [One moment please for change in captioners]

have you looked at the possibility of expanding options for voluntary unpaid leave as a first resort before imposing mandatory furloughs? So, for instance, you could foresee which employees -- if there are employees who could actually want to take some time off to attend to personal needs or something before you actually impose it as a mandatory option.

We've had some discussion with that and I believe that may have been one of the suggestions that came out of the dollars and cents program. We will make sure we explore that to the fullest as we go forward.

Thanks.

Leffingwell: Councilmember cole. Oh, excuse me.

During the dollars and cents initiative we did take a look at voluntary work fur lows. We researched other cities where it had been done. Some of the challenges is it was difficult to predict because it was voluntary and there was very little participation from the cities that we surveyed. And with regards to your question of what happened in the past on furloughs, you're correct, there was some mixed results out of that. A lot of it had to do with the scheduling of the furloughs and there was a shortened period of time, so therefore departments were not able to ensure that they had the proper coverage and it did

result in some overtime. We anticipate in this recommendation to you is ensuring that the departments each would put strategies together to try to ensure that we would not incur additional overtime by virtue of the furloughs.

Okay. A quick response. I understand the issue of predictability. If you had a purely voluntary, then it would hard to be sure how much savings you would get. If it was a first option with a fall back being mandatory to the extent that the savings weren't realized, then at least that would provide the option of voluntary leave as a first resort before we impose it mandatorily. -- Mandatorily.

Leffingwell: I think what I'm hearing as a general consensus, trepidation among councilmembers about this particular menu item and I suggest that we go back and take another look at that before the next presentation. Councilmember Cole?

Cole: I share the concern with the furloughs on behalf of the employees, and I simply would like to know what the dollar amount is before we just expend -- do we know what the estimated savings are from furloughs? I just don't remember.

700,000.

Is it citywide?

Citywide it would be 4 million for the general fund. \$700,000, Because it wouldn't apply to police, fire, e.m.s. employees. That's why there's such a big difference.

Okay.

Cole: First I wanted to congratulate you guys on doing tremendous work in presenting us with a balanced budget in light of the deficit that we have and the sales tax decline. I want to go straight to water treatment plant four because we're going to have a presentation I know tomorrow and I don't know how many of these particular questions will have to be reserved for tomorrow, but I want to be absolutely clear that that is an enterprise fund and because it is an enterprise fund that the expenditures that we have to make for building that plant will not come out of general revenues or not a part of what we're contemplating having to cut of this 30 million, is that correct?

That's correct.

Cole: Okay.

Leffingwell: Could I add, councilmember, there's another part to this presentation where they'll cover the enterprise funds after we get done with questions on this section.

Cole: Okay. That's fine. I'll just save my questions regarding that. Next, I was highly concerned about the information you gave on the declining development activity. I believe you said that there was

significant declines within the past three months. And it's my understanding that that would impact both - probably our property tax revenue and our sales tax revenue. And I'm -- I want to make sure I'm concerned about that for the right reasons, and that if there's any information that we need to get in terms of forecasting for the future related to that, that we do that.

I have a backup slide somewhere in here to show you some details on that. That's the last three months I was talking about this is an update to reflect april, may and june, so you can see -- again, I always have to highlight this is residential permit growth, but it is a significant factor in the revenues generated portion of that operation, down 44% in april, down almost 70% in may, down 32% in june. And that june number, that down 32%, we only showed 12 months, but if you go back to june of 2008, that was down 20%. So we're now starting to see negative months on top of previous negative months, just to give you some sense of the order of magnitude of inthat area.

Sue edwards, assistant city manager. In looking at the details, just to give you some information as a comparison year to year, new land development applications are down 39%. And that includes zoning, subdivision and site plan. New commercial building applications are down 11%, and that's new construction and remodel and additions for commercial. New residential applications are down nine percent. The phenomenon there is that new construction within that percentage is down 35 percent, but remodel is up 22%. So you see an additional increase in remodel as opposed to new residential units. And building permits issued are down 13% and inspections performed are down 20%. So that gives you somewhat of an overview of what's going on in the development world. I'd be happy to send this on to all of you.

And councilmember, on to your point about this connection to our property tax estimates and revenue. They do reflect -- it does reflect a slowing development activity. Where we see that obviously show up is in new growth and new value that we add to the tax rolls. And it's two pieces, usually annexation as well as the new construction resulting from a new development that happens, and we have seen it come back down to lower than two billion resulting from new development that happened this year and I've seen it drop down to -- there's a decline or a slowdown of development activity. We'd also see that ripple through in fiscal year 2011 in terms of the appraisal schedule.

Cole: Okay. Then I had one last question. I think you said that you maintained all the summer youth programs, and I had a particular concern about the summer youth employment program that's geared towards students or children in east austin. I believe that we said that we were going to fund that with stimulus money from workforce solutions. And I want to be sure that they actually have that money and that is really going to occur.

That was, as you described, it was the proposal in this menu of options, but it's not something that's been recommended in the budget.

Okay.

The recommendation of the budget would be to continue to fund it through the general fund.

Cole: Through the general fund. Okay. Thank you, mayor.

Leffingwell: Councilmember morrison.

Morrison: Thank you. Is this on? Okay. Good. Thank you. And I want to first congratulate all of you and also the city manager for the leadership on public outreach. I had the opportunity to attend one of the town hall meetings. I think your executive team must have been doing a lot of overtime over the past month because I saw a whole slew of them there and it was a great resource for everybody and I think everybody appreciated the respect that's been given to their voice as well as i work with the boards and commissions. I know that I have had the opportunity to watch some of those discussions on channel six and there was some really great ideas that came out of them. In terms of following up on a couple of things that my colleagues have already mentioned, I want to express also the concern about the furloughs, especially because \$700,000 from the general fund is not a huge, big gap closer for us. So since it is an impact and a lot of concern, I also would look fard to looking at some -- look forward to looking at some alternatives there. And then with regard to the decrease in our permitting and development efforts, one of the questions I have is obviously we have a lot of our employees that are there to service those needs and those needs are decreasing. So how do we as a city really manage that because we obviously can't, you know, let all those folks go into other endeavors because turnover is a whole issue that comes back to bite us in the end if we don't treat it carefully. So if we're -- if our work load is decreasing a significant amount, how are we reflecting that in our workforce?

If you notice in the budget this year, we eliminated 14 positions from the one-stop shop. One of those was an administrative specialist and one of them was an assistant director. But there were also an elimination of six inspectors from building inspection division. Two inspectors from construction inspection, an engineer from construction inspection and three inspectors from commercial building inspection. That's one of the ways that we are handling -- it is really through afrition. Part of those -- through attrition. Part of those positions were frozen through this year as we began to see that there was a decrease in activity. One of the things that i will mention is that there is a lag time such that even though we're showing this decrease in activity, dlr still projects that were in the hopper and things that we are doing now currently just in terms of what was. So there is about a six to nine month lag time.

Morrison: It's really challenging because turnover is difficult.

One of the things that edwards and I talked about just the other day as our intent is undertake a comprehensive review, hopefully with some other partners in the community, of our entire development review process as a means of really just becoming more efficient and more cost effective in that regard. And obviously in this city, unlike other cities that I've been in, that's always a constant challenge, particularly from the perspective of the development community always wanting more efficiency and more predictability in regard to that review process. So we're going to undertake that comprehensive look and we may find that the current level of staffing is exactly what we need in terms of a relook at

how we do that.

And I'd like to follow up with a comment that I think predictability and efficiency and expertise for the folks in the community that watch those issues, there is some frustration and I think that will be appreciated there had also. Could you also -- this brings up another question I have. Help me understand the difference between holding positions -- the difference in the impact on the budget between holding positions vacant and actually eliminating the position.

Structural and one time.

If we hold a position vacant usually what we'll do is go ahead and budget the position as if it exists, as if it was going to be filled, but then we actually put a negative dollar amount in the budget called vacancy savings to reflect the fact that it's going to be frozen and won't be filled, so we'll generate those savings. But the position is actually -- is part of our authorized position count, but there still wouldn't be funding there to fill it.

So is there a difference in the bottom line budget if it's held vacant versus eliminated?

There's not a difference in the bottom line budget, no.

Okay.

The difference really comes into when you're doing your projections out into the future, in the future years we would actually in those projections put funding for those positions back in and you would most likely, if we were to put -- if we were to do that for all 105 positions we're talking about here, you would have significant gaps in the future as opposed to closing in on a permanent basis.

But if we eliminate them permanently, that has an on going impact in terms of recurring savings, correct?

Sure.

Morrison: Let's see. And one of the issues that we're dealing with here in terms of the way you're adjusting things has to do with the sustainability fund. Could you help me remember what that is, how it funded and what it goes to in general?

Yeah. The sustainability fund is something that was created years back with the -- to put a focus on the economy, the environment and equity is essentially the purpose of having that fund established. It's funded through transfers from some of our enterprise functions, some of them make transfers of a portion of their revenue to that sustainability fund in order to achieve those goals. Solid waste services, Austin water, and drainage. So those three utilities provide the bulk of the funding or all of the funding to the sustainability fund and then those monies are allocated to different functions that meet those goals.

And so the -- I know we had discussed it in the past and I'm glad to see it in your recommendation the idea of moving the workforce programs into the sustainability fund from health and human services. I think that can make a lot of sense.

It's actually the workforce program currently, historically have been funded largely through the sustainability fund under the economy porks, but we also -- the economy portion, but we also have another economic growth process, so we thought that might be a more suitable place to fund some of the workforce development fund programs@ under the economic growth and redevelopment office, which then freeze up some sustainability money to be used on other activities. In this case our proposal would be to funnel those funds to the housing department.

Okay. Did you also mention that some health and human services programs, workforce programs are moving? Okay, maybe I misunderstood.

Health and human services programs currently funded by sustainability would be moved to economic growth.

Morrison: Okay. Great. Let's see. And then this is maybe a little bit of a complicated question. Maybe you can help me formulate it. But on slide 28 when we're looking at the median tax bill comparison, we have a relatively low tax bill for the residents of the city of Austin. One of the reasons is because part of our funding and city services obviously comes from our utilities and our transfers. So I wonder if there's a way -- if there's any way to actually do -- and then I know other cities have other special situations like that. Is there any way to do actually an apples to apples comparison in terms of what it costs me as a resident of the city of Austin to pay what goes from the city from me considering all the impacts and all of the ways that our citizens fund the city through utility bills, through taxes and other fees?

We can try to handle that through a budget question, but I suspect we won't meet the five-day turnaround time.

Okay. I tell you what, take your time. That might be something -- for an umbrella organization to actually look at because I think like TML or something, I think that's an interesting comparison. Some folks might -

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we'll try to look into that and let you know.

Morrison: Great. And just lastly, I wanted to mention that in terms of the boards and commissions' recommendations, I think they came up with a lot of great ideas and I hope that -- I know one of them, the parks and rec board that I saw with regard to the youth league, they raised concern about the city funding the youth league through paying the utility because they took a step back basically and said, hey, this is basically a subcity for some kids in the city of Austin. If we're going to subsidize sports, maybe we should make sure we do it equitably. And I know that they had a recommendation I believe that came as a resolution to us even that's not included here, so I wonder if you could comment on that?

Yes. Sarah Hensley, parks and recreation director. They did. They were very concerned and one of the things we are working on now, and certainly through some public involvement with all of our different groups that are providing our wonderful services to our youth, we're going to be meeting with them to talk about how we can do several things. One is to reduce the dependency on city dollars for utilities. And how we could refocus the support by the city in the efforts of supporting children to play, meaning that youth scholarships would be available. So continuing to provide support. And I think that's the board's focus was that they think it's important for the city to provide support in the way of no child is turned away from participating in a youth sport activity. And so one of the things we're doing right now is meeting with the different groups, holding stakeholder meetings to sort of get the pulse of the different groups. And make sure that there's an equitable issue in relation to how the dollars are used and allocated to the different youth sports we'll be coming back through the city manager with a report to talk about some suggestions of how we do it based on the input we receive not only from our parks board, but from the citizens and certainly the users. And we should have that completed in the next couple of months. Hopefully it would be in time for the actual budget approval, but we want to make sure we don't leave any stone unturned.

Great. Thank you. I think that was a good catch by the board that we might have some equity issues. So I'm glad that --

we do have equity issues that need to be addressed.

Morrison: Great. Thank you.

Leffingwell: Just to follow up on councilmember Morrison's question about the apples to apples things. I want to point out that folks in other cities that don't own their own utilities, they're still paying utility bills. So I think we have to factor that into whatever answer you come up with. Anything else?

Cole: And also to follow up --

Leffingwell: Councilmember Cole.

Cole: We might could handle that with the audit department. So it doesn't burden our staff.

Leffingwell: Mayor pro tem.

Martinez THANKS, Mayor. I just had one question that I didn't remember to ask earlier. When we held a community input forum -- I'm going to slide number 9. There are three items in the top 10 that are not recommended. The one item of converting two fire engines into medical response units, in the community input forum did we identify exactly which two fire stations would be impacted?

No, we didn't.

Martinez: So I think that has a significant impact when you just kind of throw something out there at a

community input forum because I guarantee you if you told them it would have been in their neighborhood it wouldn't have stayed in the top 10, so I wanted to point that out. I think that is very significant piece of information that citizens want to have before making such a critical decision.

Anything else on this section?

Leffingwell: We'll have an opportunity at the end if you come up with a question you forgot to ask, but I think we can go ahead with part 2 of your presentation.

So what we're planning for the remainder of the presentation is to talk briefly about our internal service and other funds, and that other fund section is neighborhood housing and community development and then move on to our enterprise funds. It provides support for the city and the largest functions in that category. Our financial services, information technology, human resources and the law department as well as fleet services. Next year in the proposed budget for all of these funds overall we are planning to eliminate 45 vacant positions and those are primarily going to be in area, in financial services and in the law department. Our focus next year will be on maintaining core services that we all deliver to the departments across the city that provide frontline services to our citizens and our residents. And our focus will also be on maintaining adequate internal controls in the financial services department of course primarily. So we've highlighted -- the highlights are at the top of the slide, reductions at the bottom. We are expecting to generate total savings of \$6.7 million next year. And again, that is across the support services fund where the bulk of our support functions are located. The information technology group of funds and fleet services. On to housing. Housing is proposing an operating budget of about \$20.6 million next year. And I'm really just going to hit the high points today because Margaret Shaw is going to be providing a lot of information tomorrow. She's going to be presenting her proposed budget to you as members of the Austin Housing Finance Corporation board of directors at the council meeting tomorrow. The good news on the housing side, as previously covered the shifting of funds that we've been able to do to maintain our affordable housing programs with the sustainability fund, and there will be no service cuts in housing compared to the level of service that they're currently providing. I do want to point out a typo in the last bullet under the highlight section, it says four million dollars for commercial revitalization and child care assistance. That should actually say small business assistance instead of child care. We'll get that fixed before we post this on the website.

Martinez: We might want to leave that as child care or make it both, child care and small business, because we get a lot of citizens that comment about how we need to help with child care.

The reductions down at the bottom of the page of about \$700,000 that are proposed for neighborhood housing and community development were made possible by eliminating five vacant support positions. This is part of the department's reorganization that they have been doing this year to streamline and try to become more efficient. And then they'll also be funding three bond program managers with interest earnings from the affordable housing bond proceeds. They're also planning to restructure the community preservation and revitalization program. They expect to be able to save about \$75,000 there. But this has been historically underutilized and they want to take better opportunities to better use that program and make some improvements there. Next on to the enterprise funds, we would like to

share with you the highlights of our seven major funds, and just wanted to note that a lot of the personnel assumptions and policies that ed talked about that are in the proposed budget for the general fund have been applied citywide. So we'll start with austin energy. They are our largest fund. Their proposed operating budget is 1.3 billion. There's no base rate increase in the budget for next year, and just to note here the last increase occurred in 1994. They are proposing a new transmission adjustment to pass along to their customers next year. This is related to the increasing statewide grid costs that they're experiencing this year. It's really across the state. All of the texas utilities are experiencing this, and we're a four percent partner in the grid. And this would actually be in the nature of a pass-through cost and it would equate to about 60 cents per month. So it's not a significant impact on the average residential bill. On the capital improvements side, they obviously have a significant capital improvements program plan. 1 Billion over the five-year period. And they are planning to appropriate about 300 million of that for next year. Most of the improvements are related to transmission, distribution and power production. On to the water utility. They are proposing as part of the multirate year plan 5% increase in their combined systemwide rate charges for water a wastewater services next year. Just to give you an idea of the dollar impact, that would mean an increase of 78 for your average residential user, and that's someone who uses about 8500 gallons of water and a thousand gallons of wastewater on a monthly basis. And just in terms of the cities that the water utility surveys when they look at their rates, look at the affordability of their rates and see where they fall, they survey a number of cities within the state of texas, some across the country. They include a nice graph in the budget document year after year, and we usually fall somewhere pretty close to the middle, and it's the same for this year as well. Check out that graph in the budget document. They are proposing some additional positions primarily to improve their emergency response for water leaks and wastewater overflows and to really enhance their system maintenance and repairs. And then on the capital side, their five-year plan totals 1.4 billion. Again, like austin energy they're going to appropriate close to 300 million in 2010. And I believe there was a question earlier about water treatment plant and how that came in to -- how that actually works here. Out of the 334 million that they're planning to appropriate for next year, about 110 of that is for water treatment plant number 4, and again there's no general funding associated with that. We've combined two of the funds on this slide, the transportation fund and the drainage utility. And categorized those activities as infrastructure services. The transportation fund is proposing an operating budget of 77.5 million. The drainage utility 60.7 million. And as part of a multi-year rate plan for the transportation fund, they are proposing -- this is consistent with the discussion that we had with council last year during the budget and this year during 14 per month for residential users to allow them to move towards their goal of improving the number of street lane miles that are categorized as poor or failed by # hundred miles by the year 2018. That is their ultimate goal and this will help them move towards that. Another item that we are proposing is in addition to 66 a month, adding another 52 cents to enable the transportation fund to reduce their reliance on the general fund for helping them pay for street maintenance activities. That would allow them to generate an additional 5 million and reduce the general fund contribution for street maintenance to five million dollars. That was part of our budget balancing efforts for the general fund this year. Then on the drainage side they are proposing a 60-cent per month increase in the drainage fee. This is related to the average residential user. This will allow them to continue to make progress on the drainage master plan that was completed back in 2009. So in addition to the revenue that they generate from their -- the collection of the fee that they use for capital

improvements, they've also got a 95-million-dollar commitment in the 2006 bond program to help pay for drainage as well. Solid waste services and code compliance, we are also proposing a modest rate increase in solid waste as well. The structure does continue to favor recycling, as council has asked us to do so in the past and we've continued that approach. Just as a reminder, the first rate increase was in 2009 for the pay as you throw program. Really after 12 years of no fee increases at all. So what we're proposing for next year is a 35-cent increase per month to the base charge, a 20-cent increase in the anti-litter fee per month. And then no changes, no increase if you have a 30-gallon trash cart or a 70 if you have the largest size cart at 90 gallons. And again, the purpose here is to continue to encourage recycling. The budget next year reflects the code enforcement program being restructured as a separate department. And in terms of operations, there are no new employees included in the 2010 budget proposal for either of those functions. And capital highlights at the bottom of the page related to the single stream recycling facility on the last bullet, the 7 million, right now solid waste has retained the services of a firm to complete a public-private partnership analysis to help them determine the best way to go forward in funding a materials recovery facility in the future. The airport, a little bit here on passenger traffic. That's a key indicator used to forecast airport revenue. The airport is currently projecting that passenger traffic will drop by 12% this year. That's really based on trends that they're experiencing so far. And going forward into 2010. They are projecting a modest increase in terms of passenger growth. The surplus that they generate from both the airlines and the concessions in the terminal building, the parking and the other revenues after they pay for their cost of operations and debt service are placed into the capital fund and they use those then to make improvements at the airport in addition to the grants that they receive from the federal aviation administration and the highlights of their capital program are here at the bottom of the slide. And they're doing some belt tightening as well, eliminating six full-time and 16 temporary positions. The convention center, they are proposing an operating budget of \$56.4 million. And the hotel occupancy tax accounts for about 60% of their total revenue. They have continued to be a strong tourist destination. They are planning, anticipating about 190 events next year. The economy, they are projecting a decline in the hotel tax revenue, the car rental revenue. Again, doing some belt tightening on the operational side as well. And then continuing, though, to invest in the facilities so that they will be very competitively positioned when the economy does start to return. They had actually started to work in these areas last year and they'll continue work as well, carpet replacement, air wall replacement and improving the connection between the third and the fourth floors. So that concludes our presentation on enterprise. And then I'd like to just cover the calendar next and then we can move to wrap-up the presentation. As I mentioned previously, Margaret Shaw will be talking to you about the proposed housing budget tomorrow at the city council meeting. Then we are proposing a series of work sessions for the month of August. The first would be on August the fifth. We were thinking a morning 00 to noon with a break for lunch and then resuming in the 00 to 00 and covering all of the general fund departments at that point in time. You would be hearing from our directors. Then on August the 6th -- this is actually a council meeting. We typically hold three public hearings during the month of August. This would be the first public hearing to be held in the evening where you could hear from citizens. We would also discuss and you would vote on the tax rate at that time. You probably recall we have a number of truth in taxation state laws to follow, and we actually have to set a maximum tax rate at the beginning of the process. You can have those deliberations then as you proceed through the budget and ultimately adopt the final tax rate in September. And this would

be the start of that on August the 6th. Then we would also brief you on the results of the citizens survey there. Then on August the 19th we would propose a second work session again from nine a.m. and try to cover all of the enterprise funds there as well, again hearing from those department directors. August 20th is again a council day. Our first tax rate public hearing. One of two that we're required under law. August the 26th, this is a place holder, if you will, in the event that we're not able to finish all of the scheduled presentations on the 5th and the 19th. On the 27th another council meeting, another budget public hearing, and our second tax rate hearing. And then September 14th through the 16th would be the budget approval itself. You can find all this on our webs, city of Austin website. We'll continue to post everything on the site. It's very comprehensive. We've got all the stakeholder input there as well. With that, that concludes our presentation, city manager.

I don't really. That does conclude our presentation. And we'll take any questions that you have at this time.

Leffingwell: Thanks for a very good and thorough presentation. There will be a lot more thoroughness before we're done with this, I know. I'm going to resist the impulse to ask detailed questions. We have the opportunity to submit written questions, of course. And then as these additional, more specific briefings are given, we'll have more opportunities to ask questions. I did want to -- what is the effective tax rate for FY 2009-2010? I can't believe that was in the presentation.

41. It would be 41 cents.

Leffingwell: 41 Even? Okay. And I wanted to emphasize that -- something you said just a second ago when we first started talking about a tax rate, the initial vote will be on a maximum tax rate, not the tax rate -- whatever it is that is eventually imposed. So when we take that vote on a maximum -- the maximum tax rate that we're ever going to consider in any situation, that does not mean that that is going to be the final tax rate. It could be something less. It can't be anything more. On the water utility, I noticed conspicuously by its absence there are no more capital expenditures for the Austin clean water plan. That is all completed and that's a very good thing to have behind us. Not only from an economic standpoint, but also from an environmental protection of our urban waterways point. We did it in last year's budget to enhance the street maintenance, which in turn reduces our long-term costs to rehabilitate these streets if we don't do this preventive maintenance, but you said 800-mile increase. Last year we talked about a percentage of lane miles per year, and we had a target. We established a target last year of 10% per year of lane miles. How is this 800 miles equate to that? Is it 10% more or less?

I think Robert can answer this.

Robert Good, assistant city manager. This proposal keeps us on track on what we proposed last budget cycle. We'll be reducing the number of poor and insufficient lane miles by 800 by 2018. We're changing the metric a little bit. The city of Austin had been -- metric had been 10% every year on the maintenance side and we'd be maintaining 10% of the infrastructure. I'm suggest to change the metric because you could be maintaining 10% of your network every year and it could still be falling apart in totality. So yes,

I think we still are. We'll give that more detail in the presentation when public works is here presenting to you. I think we still are maintaining 10% of our network, but I would also like to make sure we're looking at the system as a whole. And so we are improving our overall network by reducing the number of poor and insufficient streets in our network by 800 lane miles by 2018.

Leffingwell: Well, I think the 10% target did relate to the big picture in that somebody figured out, probably you, that if we did 10%, 80 percent of our lane miles would be in good condition.

As long as you couple that with the big picture, it's great.

Leffingwell: I think we always said that 80%, although it's well above 50%, is not necessarily our all and end all target. We would like to do better than that when and if we can. I wanted to also ask a quick question, clarification about the code compliance department. That is a new city department, correct?

Yes, sir. As proposed in this budget is to make that a new department so we can focus more on code compliance in our community and raise the visibility of that effort throughout our community.

Leffingwell: Right. And the funding for that is still -- it was mentioned as a part of solid waste services. It's still funded by solid waste services?

In this budget cycle it is. We're engaging in a funding scenario evaluation in this next budget cycle to determine if we can create a different funding mix than the current funding cycle.

Leffingwell: But it won't impact the general fund?

It won't impact the general fund.

Leffingwell: And the charter requires the council to approve the establishment of a new department, but I assume that would be done as a part of the budget process in this case?

Correct.

Leffingwell: Okay. That's -- one more quick one. Airport -- I just want to clarify. I assume you meant eliminating vacant positions at the airport? Okay. All right. Anyone else? Councilmember Spelman and then mayor pro tem.

Spelman: I had two questions, mayor. One general and one specific. The general question is with respect to rate and tax increases and our looking for budget reductions. Just adding up along the way, the increases in property taxes, increases in various rates per household, and come up to about \$150 a year as the total cost per household of the property tax increase and all the rate increases that you discussed a few minutes ago. That \$150 a year is approximately equally split between the general fund and all the enterprise funds, but in our conversation about what we were going to be doing to reconcile the budget, almost all the discussion of the reductions in the budget was the general fund and with a

couple of fairly small exceptions you weren't talking about reductions in any of the enterprise funds. So why is that? Why aren't we spending more time talking about reductions in costs in the enterprise funds?

I think generally -- and we can certainly make adjustments as we go along the way. We tend to focus on the general fund when we come to you with the proposed budget and then spend a bit more time in august talking about the enterprise funds. So you'll have a great deal of opportunity to look at that this great depth in august.

We'll have more time to discuss that in august, i understand that. You obviously had a very small amount of time to present a lot of information. 75 billion to cover in about an hour and a half and you did a wonderful job of getting through all that, which I'll have more to ask about in a second. But what you haven't -- what I'm not concerned with here is what we're talking about in this meeting, but what kind of background work y'all did. And is there the same level of scrutiny given to each expenditure in our enterprise funds as in the enterprise fund to find out what it is we actually need, what it is we could possibly put off for next year, that sort of thing. And the I am prelings I've been getting -- impression I've been getting is we're not so concerned about the reductions in the enterprise funds as we are reductions in the general fund.

I think all the department directors that manage the various enterprise functions here are very keyed into keeping their services affordable. So to the extent that we have focused on, for example, the airport doing the belt tightening, the transportation fund cutting back and obviously they are doing that as well to respond to the general fund who contributes money to that function, but on the utilities side I think the department directors there as well really keep an eye on their operations to keep them as streamlined, cost effective as possible and to minimize the rate increase.

And if I may just add to that. I guess I would point out that some of the things, the applications that we applied in developing our budget recommendations in fact did result in some reductions on the enterprise side. They've realized some savings, you know, on the vacancies and other things that we did. So we should acknowledge that as well, but I do want to note what you already know, and that is the real distinction between general operating departments reported by the general fund and the enterprise. And you're really looking at two fundamentally different business models. We have roger duncan over there obviously who heads one of our -- probably our most significant in terms of dollars, our enterprise operation. And I know from the time that I spend with roger, he's always focused on the cost effectiveness side of how they're administering the utilities. So we certainly don't ignore that, but I think what leslie is trying to impart, and particularly given, you know, the fiscal challenges that we've had on this budget our focus, like it is from one year to the next, is focused on the general fund side. And they really are in a manner of speaking separate. We can't really save ourselves with respect to what occurs on the enterprise side.

Spelman: I look forward to hearing more about the enterprise funds next month and I want to point out that a dollar is a dollar whether we reduce it by increasing the rates for water or everything else. A dollar

is a dollar. I have to pay it one way or the other.

It certainly is from the residents' perspective.

Spelman: I also have one specific question. That is, this is a great presentation again given you covered enormous amount of ground in a very short amount of time. I think I -- my office and I and I think probably a lot of people in the public are interested in more backup and detail. I wonder if you could describe for us the level of backup and detail available and what we can expect to be seeing made available.

The budget document is going to be delivered to you as soon as we're done here today and so that's the bulk of the tremendous amount of detail, not only at the department level, but all the way down to specific activities, including funding, staffing, performance, work load, all that information is in the 1800 page budget document activity by activity. The other document you're going to be receiving as soon as we're done here today is, as I mentioned, the addendum to this 300 page awment of detailed information in regards to what we viewed as the potential budget reductions, some of which are part of the proposed document, proposed budget, and some of which are not. You will be getting an addendum that will clearly detail out of these 245 options, this is a subset we would recommend to put in the budget. This is the subset we would recommend not doing. So those would be the two large pieces of information. And the budget questions we're in the process of responding to a large number of budget questions and as soon as we get those processed we'll be putting that information out as well. I would say those are the three biggest sources of additional information you will be getting and maybe the fourth is the detailed presentations you will be getting from each and every department in august.

So the budget details are available now, have been printed now, we'll be getting them in a few minutes.

They will be in your office when you get back.

That would be great. Will they be available online already?

They will be available online as soon as we're done here today.

Spelman: Great. Thank you.

Leffingwell: Mayor pro tem.

Martinez: Thanks, mayor. Since mayor pro tem dunkerley isn't on the dais anymore I am going to ask this question freely. She might he oa owe.

She's listening, though.

Martinez: I know she is. She is going to send councilmember shade a text message and tell her to kick me under the table. As was menoned a couple of times, owning our on own own utilities is a benefit.

Our citizens receive a tremendous benefit from owning our own utilities. I'm going to ask for information so that we can contemplate maybe just a one-time increase in transfer from austin energy. Because when I look at the 1%, if we were to just bump that to a flat 10% -- I know there's impacts on our bond rating and all of that, and that's the kind of information i want so that we can contemplate this decision. I mean, we're talking about nine million dollars that we could add into the general fund, and contemplate restoring some of the proposed cuts. I know it's controversial. I know it's maybe not doable. But I would like to see that information as to why we should not do it or how we can increase the transfer if at all possible.

We would be happy to provide that.

Martinez: Thanks.

Leffingwell: Anything else? Councilmember riley.

Riley: I want to thank you for all the information provided. I will also resist the temptation to go into great detail based on the information that we will be getting shortly. I wanted to ask a quick question about the solid waste services figures on slide 46. Could you help me understand the projections for the current -- the predictions for expenses associated with the existing single stream recycling contract? How have we factored that in? What numbers have we associated with that?

Again, robert good, assistant city manager. We're continuing to project losses in the single stream recycling area. And we are -- as we speak we are looking at renegotiating with our current provider and also looking for alternative providers. And we'll be getting back to council in the near future with that. We have projected here worst case and that is continuing to lose revenue on that side.

Riley: Thank you.

Leffingwell: Councilmember cole.

Cole: I would like to additionally request with councilmember martinez this analysis of a transfer from austin utility, that we ask -- that you present us with some best practice examples from the few municipally owned utilities that exist because that is just a major thing for us to be considering doing, and i want to make sure that we give a thorough look at that and not just throw some numbers out there.

We will.

Leffingwell: And i would mention, councilmember, that the city will be sending a delegation early in august for a bond rating trip. And certainly this is one of the issues -- I've been on one of these bond rating trips before, one of the issues that is always talked about is the effect of changing the transfer rate, what the potential effect of that is. In the past the answer has always been the potential effect is very significant in terms of potential down grade in our rating, which in turn is a huge effect. We have over -- austin energy alone has over a billion dollars in outstanding bonds and the rate on all those

bonds could be affected. But anyway, hopefully we'll have more information for you on that subject and can talk more thoroughly about it when we get back from that trip.

And we certainly will. It's my understanding that on previous bond trips, in fact, leslie could ask a specific question about whether or not the city is contemplating an adjustment in the transfer. Is that correct?

Yes, that's correct.

Leffingwell: Anything else? Councilmember shade.

Shade: I want to thank everybody for a thorough and great start to this process and I want to make a special thanks to all of the city staff and city manager for the extra effort that you put in to get outside community input because i know it took a lot of time. It wasn't something that we've done before. And I know where I've attended that I've seen staff at all levels attending to participate, engage with citizens and i think that was really helpful. I want to say thank you for that very much. And then I didn't get a text from former mayor pro tem --

she's driving. She's on her way over.

Shade: She doesn't text while driving. [ Laughter ]

she's in my office.

She's waiting for you.

Shade: But I was thinking maybe based on mayor leffingwell's comments that maybe she texted you instead.

Leffingwell: Actually, she passed out when she heard that. [ Laughter ]

Shade: But I did want to say that I think it is a theme that we get asked a lot and I thi that it's very tied to the comments that were made by councilmember spelman and earlier in the question that you were trying to formulate, councilmember morrison. I would appreciate that we try to tie that analysis together because what we're talking about is all city, any resident in any city, whether their utility is owned bid their city or not, is paying utility rates. In this case the dividends are being returned to our taxpayers who are in fact the shareholders of austin energy. But I do think that it gets very flict it's very difficult to explain and I think if we're not absolutely able to certify that we're doing things as effectively as possible, then the fact that we're putting dividends back into tax -- the tax rolls doesn't really make people feel that much better. I would like that we tie all that together when we do come forward -- again, i realize it's not a five-day turnaround question. Again, thank you.

Cole: Since we've used betty dunkerley's name in vain, I would say that judy is probably also having a

stroke. With that, if it hasn't already been done, but i think it has been done, that there have been comments from the electric utility commissioners on this issue.

There have, and we'll gather those.

Cole: Okay.

Leffingwell: Okay. Well, I just want to add my thanks. It represents a lot of hard work. There's more to come. And the next few months if we do our job really good through the month of august, the month of september when we have the three days of budget deliberations, we'll hopefully go as quickly as they have in the past year. So in the meantime, you have the opportunity to submit written questions. Something that you didn't think about or something that you want to explore in more detail, please submit those questions in writing. Of course, those will be available to the public. And again, I want to thank the city manager for conducting this very extensive public process to gather public comment. Certainly all that is valuable information to have and to include in the deliberations. But I do want to emphasize that in the final analysis the buck stops here. This council is the body that has to make those priority decisions, taking into account all the available information. So thank you very much. There's nothing else on our agenda, so without objection we stand adjourned.

## **End of Council Session Closed Caption Log**